

Research:

Honolulu City and County, Hawaii; Appropriation, General Obligation Equivalent Security; Tax Secured, General Obligation

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Credit Profile

US\$123.4 mil GO Bonds ser 2004B due 01/01/2016 AA-

Sale date: 31-MAR-2004

US\$5.7 mil GO Bonds ser 2004C due 01/01/2005 AA-

Sale date: 31-MAR-2004

US\$121.4 mil GO Bonds ser 2004A due 01/01/2028 AA-

Sale date: 31-MAR-2004

AFFIRMED

\$141.500 mil. Honolulu City & Cnty GO bnds ser 2001A dtd 03/01/2001 due 09/01/2005-2024

AAA/AA-(SPUR)

\$8.500 mil. Honolulu City & Cnty GO bnds ser 2001B dtd 03/01/2001 due 09/01/2004-2005

AAA/AA-(SPUR)

\$157.605 mil. Honolulu City & Cnty GO rfdg bnds ser 1997C dtd 11/01/1997 due 11/01/1999-2010

AAA/AA-(SPUR)

\$1.492,792 bil. Honolulu City & Cnty bnds

AA-

\$88.000 mil. Honolulu City & Cnty go bnds (non AMT) ser 1999B dtd 04/01/1999 due 07/01/2003-2023 04/01/2024

AAA/AA-(SPUR)

\$349.215 mil. Honolulu City & Cnty go bnds (non amt) ser 1999C dtd 04/01/1999 due 07/01/2001-2020

AAA/AA-(SPUR)

\$250.000 mil. Honolulu City & Cnty go bnds ser 2003A dtd 08/08/2003 due 03/01/2008-2028

AAA/AA-(SPUR)

OUTLOOK:

STABLE

AFFIRMED

\$83.000 mil. Honolulu City & Cnty GO bnds ser 1997B dtd 11/01/1997 due 11/01/2001-2017

AAA/AA-(SPUR)

\$45.820 mil. Honolulu City & Cnty GO bnds ser 1999D dtd 11/03/1999 due 02/01/2001-2010

AAA/AA-(SPUR)

≡ Rationale

The assigned and affirmed 'AA-' ratings on Honolulu City and County, Hawaii's GO

bonds reflect Honolulu's:

- Tourism-dominated economic base, with signs of growth from improving tourism statistics and a small increase in property values following several years of decreases;
- Strong financial performance with solid fund balances, despite the recent pressures on property values; and
- A manageable debt burden, as major new capital expenditures are financed through self-supported enterprises.

The bonds are secured by the full faith, credit and unlimited ad valorem taxing authority of the City and County of Honolulu. The bonds are being issued to refinance outstanding debt

With nearly 870,000 residents--about 75% of the state's total population--Honolulu is Hawaii's economic center and the center of government, transportation, finance, and education. Tourism, however, accounts for about 25% of the gross state product, and Honolulu accounts for over 50% of the state's hotel rooms and remains the islands' most visited destination. While Honolulu's above-average reliance on visitors from Japan has hindered the city's economic recovery, there have been recent signs of good overall tourism and economic growth.

The total number of visitors to the state of Hawaii decreased slightly in 2003 to approximately 6.3 million, down 0.7% from 2002. This decline reflects continued softness in the international tourist base, which was down 9.0% in 2002 to 1.8 million whereas domestic visitors were up 3.2% to 4.5 million. The international market is proving particularly stubborn in its rebound considering 2002 arrivals were down 2.67% compared to 2001. Honolulu visitor numbers have stabilized at approximately 4.2 million per year (still down from the pre-Sept. 11, 2001 level of 4.7 million in 2000) with domestic arrivals (2.4 million in 2002) approaching levels reached in 2000. However, the average length of stay on Oahu continued to increase over the past two years, with total visitors' average length of stay growing from 6.58 days in 2000 to 6.96 days in 2002. The average length of stay for domestic visitors increased from 7.52 days to 7.78 days over the same period, while international visitors went from a stay that averaged 5.52 days in 2000 to 5.87 in 2002. Nonetheless, overall visitor arrivals remain well below the record 4.9 million total arrivals reached in 1996. Hotel occupancy rates remain strong at 71.3% in 2003, but are down from 2000 when occupancy was 76.1%. Importantly, the average daily room rate on Oahu is holding steady at \$116, which is only down \$2 from the high reached in 2000. Honolulu is also home to most of the U.S. military activities in the state, with major Navy and Marine bases at Pearl Harbor and Kaneohe and 35,000 active duty personnel.

■ Outlook

The stable outlook reflects the expectation of continued strong financial management with adequate fund balances. Honolulu's role as the economic center of the state also lends stability to the rating.